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Bosnia-Hercegovina

Dairy and Products

Sector Overview

2003

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Report Highlights: Bosnia-Hercegovina may be importing 65% of its overall dairy consumption. Small scale farming, poor distribution, a lack of high energy feeds, and poor cattle genetics all contribute to low productivity. There is excess dairy processing capacity but the sector faces tough competition from imports and a lack of investment.

Includes PSD changes: No
Includes Trade Matrix: No
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Market Overview

Per capita annual consumption of dairy products for Bosnia and Herzegovina's (BiH) population of 3.75 million is approximately 120 liters of milk (on a fluid basis). Out of that, approximately 100 liters is consumed as fresh milk. The livestock sector has not recovered yet from the 1992-1995 war in BiH which decimated numbers. There are approximately 120,000 dairy cows and average yield is low, about 1,300-1,400 liters per lactation. In 2002, approximately 162 million liters of milk were produced but over 450 million liters were consumed (i.e., up 65% is imported).

At the same time, the quantity of milk purchased and processed by local dairies was only about 80 million liter or less than 50% of domestic production. Thus, more than half of locally produced milk is consumed on the farm or processed and sold at the numerous local outdoor markets. A significant portion of domestic dairy consumption is imported, including fluid milk.

Most local dairies produce pasteurized milk, yogurt, and fresh/cottage cheese. Production of long – life (UHT) milk is low. Production of hard aged cheese is low because of its lower profitability compared to fluid milk and yogurt. Long shelf-life products account for 34% of total dairy production. Cheese accounts for 8%. Production of cream, spreads, flavored milk drinks, butter, and flavored yogurts is almost non-existent.

There are a number of structural problems in the dairy sector, including: little organized collection of milk from small farmers; late payments from dairies to farmers; and late payments of government subsidies to farmers.

Furthermore, access to capital is limited and interest rates are high. Small production units and volumes tend to raise production costs and there is a lack of application of modern breeding techniques and genetics that could increase production. Exports of speciality dairy products, especially to the EU, are constrained by the low quality of raw milk that is delivered to processing plants.

Companies Profiles

There are approximately 50 dairies in BiH with capacity of 1,000,000 liters per day. Only 22% of that capacity is actually being actually used. The ownership structure has changed in recent years. There are now only six state-owned dairies and that number will likely fall as privatization continues. Some of bigger state-owned dairies with capacity of 50,000 – 200,000 liters/day (e.g. those in Sarajevo, Tuzla and Zenica) have old facilities and equipment. Two-thirds of the total number of dairies are small privately-owned dairies with a daily capacity of 2,000 – 10,000 liters. Some small dairies do earn money by offering cooling equipment and technical assistance to farmers.

Milk is purchased by dairies directly from farmers or collected first at the collection points and then transported to a dairy. However, as noted before, not all of the milk produced is collected from farmers due to difficulties in marketing domestic dairy products. Farmers that cannot sell to dairies usually sell fresh milk and processed milk products (e.g., sour cream and cottage cheese) at outdoor markets.

Current Subsidies:

The minimum purchase price for cow, sheep and goat milk of 3,6% fat content in the Federation of BiH is 0,50 KM/liter (\$0,27)

In both Entities¹ milk containing at least 3,2% fat receives a subsidy of 0,08 – 0,14 KM (\$0,04 – \$0,07) per liter. The variation in subsidy depends on the altitude of the farm, with alpine farms receiving a higher payment.

Retail Prices:

Long-life (UHT) milk packaging of 1 liter, locally produced:

| | |
|--|------------------|
| Mljekoprodukt, Kozarska Dubica, 3,2% fat content | 0,99 KM (\$0,53) |
| Mljekara Tuzla, 2,8% fat content | 0,99 KM (\$0,53) |

Long-life (UHT) milk packaging of 1 liter, imported (2,8% fat content):

| | |
|-----------------------------|------------------|
| Novi Sad, Serbia | 1.00 KM (\$0,54) |
| Parmalat, Italy | 1,06 KM(\$0,57) |
| Pomurske mlekarne, Slovenia | 1,15 KM (\$0,62) |
| Mizo, Hungary | 1,18 KM (\$0,63) |
| Meggle, Germany | 1,23 KM(\$0,66) |
| Dukat, Croatia | 1,29 KM(\$0,69) |

Yogurt ½ liter

| | |
|--|----------------------------------|
| Locally produced (Inmer Gradacac, MI Smajic) | 0,79 - 0,80 KM (\$0,42 - \$0,43) |
| Imported from Croatia (Vindija Varazdin) | 0,94 KM (\$0,50) |
| Imported from Slovenia (Zel. doline, Ljublj. mlekarne) | 0,87 – 0,92 KM (\$0,47 - \$0,49) |

Imported milk is up to 25% more expensive than locally produced milk. Consumers pay the higher prices because of the wide availability of imported milk in urban centers and because of better packaging.

Imports and Marketing of Dairy Products

Officially, only about 70,000 MT of dairy products were imported in 2001 and the value of imports was \$55 million. 2001 export value was approximately \$4 million. However, the figures do not correspond to the actual production and consumption figures. Most likely, a significant quantity of dairy products are smuggled into country. Smuggled products are sold at much lower price at the outdoors markets. Dairy products are mostly imported from Slovenia (35%), Croatia (25%), Germany (24,5%), Hungary and Serbia. Dairy products from the EU are often benefit from an export subsidy. Raw milk and milk powder imports are minor.

Recently, there was an 80% decline in the Slovenian market share because a dangerous antibiotic

¹Under the 1995 Dayton Peace Agreement, Bosnia and Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). Understanding this dual governmental structure is important to understanding agricultural policy in the country. There is also the Brcko District with a special administrative status.

chloramphenicol was reportedly found in raw milk collected from farmers. Tests showed that there was no residue of chloramphenicol in the milk imported to BiH and the government did not impose an import ban. However, many consumers lost their confidence in Slovenian dairy products.

Most of foreign companies have established a representation office in order to market their products (e.g. for Croatia Lura/Dukat Zagreb – Lura Sarajevo) or have found a distributor (e.g. for Slovenian Ljubljanske Mlekarnе – Alpiko Sarajevo and for German Meggle – Megamix Sarajevo).

Dairy products are usually retailed together with other food products and there are only a few specialized retail stores (e.g., the Slovenian dairy products distributor Alpiko has a few specialized stores).

Tariffs Rates

There are no quantitative restrictions on imports of dairy products. Tariff rates for dairy products are:

- HS 0401:
 - For milk and cream up to 1% fat content and packaging less than 2 liters the tariff is 10% + 0,15 KM/kg (\$0,08);
 - For milk and cream up to 45% fat content and quantity less than 2 liters the tariff is 10% + 0,45 KM/kg (\$0,24);
- HS 0402: for concentrated or powdered milk and cream, tariffs are 10% and 0,60 – 2,00 KM (\$0,32 - \$1,07) per kilogram of weight depending on total weight and fat content;
- HS 0403: tariffs are 10% + 0,30 KM/kg (\$0,16) except for 0403 90;
- HS 0404: 10% tariff;
- HS 0405: tariffs are 10% + 1.00 KM (\$0,54) for butter; and
- HS 0406: tariffs are 10% and 0,80 – 1,00 KM/kg (\$0,43 - \$0,54) depending on fat content in cheese.

An additional 1% of customs fee is applied to all imported goods.

For Croatia, Slovenia, Yugoslavia (Serbia and Montenegro) and Macedonia tariffs are generally lower because of the free trade agreements signed between the countries. Croatia will be charged only 40% of normal customs duties in 2003 and 0% starting from January 1, 2004. Slovenia will pay 50% of import duties in 2003, 30% in 2004 and 0% starting from January 1, 2005. Yugoslavia will be charged 40% of import duties as of January 1, 2003 and 0% as of January 1, 2004. Customs duties for Macedonian products will be reduced to 50% as of January 1, 2003, 40% as of January 1, 2004 and 0% as of January 1, 2005. Recently, another free trade agreement was signed with Moldova but has not been put into force.

BiH is not a member of the WTO.

Laws and Regulations

The quality of milk and dairy products is regulated by ordinances inherited from former Yugoslavia (Official Gazette No. 4/85 and 7/92). In addition, the Entities Ministries' of Agriculture issue specific requirements - those requirements are in accordance with the [Office International des Epizooties](#) (OIE) requirements (e.g. imported products must originate from areas free of contagious diseases that must be reported to the OIE).

Food products must be tested for microbes. The ordinance on “Microbiological Wholesomeness of Food” (former Yugoslavia Official Gazette, No. 43/83 and No. 43/89) provides maximum content of different microorganisms in food products.

The exporter/importer covers all expenses from products testing.

The Law on Sanitary Correctness of Food and Goods of General Use (old Yugoslavia Official Gazette 53/91) regulates labeling requirements for food. According to the Law, a label must be present in both retail and bulk packaged foods and must indicate the following: expiry date, type and content of food additives, type and content of added vitamins, minerals, and other ingredients added to enrich the product’s nutritional value.

The Law on Quality Control of Imported and Exported Goods (for FBiH - Official Gazette 21/97, for RS - Yugoslavia Official Gazettes 28/75, 70/78, 54/86, 30/91) says that a label must clearly indicate the name of the product, manufacturer’s complete address, name and address of the importer, and important information such as net weight in metric units, ingredients, instructions for use (if necessary) and storage and any important information and warnings.

If an original label is in English (e.g. standard U.S. label) or any other language, the seller is obliged to prepare translated stick-on labels and deliver them together with imported products. It is the importer’s obligation to stick those translated labels on products prior to retail distribution.

There are no specific packaging requirements.

Additives and pesticides & other contaminants: - food additives are regulated by the ordinance on “Quality of Foods Additives” (former Yugoslavia Official Gazette 39/89).

The ordinance on “Pesticides and other Contaminants in Food” says that hormones and antibiotics are generally not allowed in food products (former Yugoslavia Official Gazette, No. 59/83, 79/87).

[For more information please see FAIRS report BK 2003 (this report may be downloaded from <http://www.fas.usda.gov/scripts/attacherep/default.asp>)]

Exchange Rate: 01/10/2003 \$1,00 = 1,86 KM (Convertible mark)

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